

The Dodd-Frank Wall Street Reform and Consumer Protection Act Benefits Asian Americans and Pacific Islanders

Too many responsible Asian Americans and Pacific Islanders have paid the price for an outdated regulatory system that left our financial system vulnerable to collapse and left families without adequate protections. In the summer of 2009, the Obama Administration put forward a legislative proposal crafted to rein in excessive risk on Wall Street and preserve economic opportunity on Main Street. A year later, the President signed into law a bill aligned to a remarkable degree with that original proposal. This comprehensive financial reform, which put in place the strongest consumer financial protections in history, included the creation of a new, dedicated Consumer Financial Protection Bureau (CFPB).

The CFPB, an independent entity within the Federal Reserve, will have one mission: to protect consumers by promoting transparency and consumer choice and preventing abusive and deceptive practices. It will have broad authority to write and enforce new consumer financial protection rules. The CFPB will use these authorities to promote financial stability and protect consumers – including Asian Americans and Pacific Islanders – from the unfair practices that contributed to the financial crisis.

Asian Americans and Pacific Islanders Deserve Clear Rules and Strong Enforcement

Asian American and Pacific Islander communities are diverse

- **Poverty rates are one example of how economic characteristics differ across these communities.** According to the U.S. Census Bureau, in 2008, the poverty rate for Asian families was 8.0%¹, lower than the poverty rate for the total population (9.7%), while the poverty rate for Native Hawaiian and other Pacific Islander families was higher (13.1%). Some Asian and Pacific Islander families had even higher poverty rates, such as Hmong (23.1%), Cambodian (19.2%), Micronesian (16.0%), and Pakistani (14.1%) families.
- **Households with different economic characteristics have distinct consumer financial protection needs**—for example, families that want to buy a home need clear rules of the road for mortgage lenders, while families that use check cashing services and take out payday loans need strong enforcement of rules in the alternative financial services industry. [U.S. Census Bureau, [American Community Survey](#), 2008 American Community Survey 1-Year Estimates]

Remittances

- **Families and individuals in the United States send billions in remittances to Asian and Pacific countries.** An estimated \$27 billion in remittances was sent to East Asian and Pacific countries and \$14 billion was sent to South Asian countries from the United States by families and individuals in 2008. [World Bank, “[Outlook for Remittance Flows 2008-2010](#)” (November 11, 2008)]

Mortgages

- **In 2005 and 2006, the height of the subprime lending boom, more than 34% of loans made to Native Hawaiians and other Pacific Islanders to purchase their homes and more than 28% of refinancing loans made to this group were higher priced loans.** In the same period, more than 16% of loans made to Asian borrowers to purchase homes and more than 15% of refinancing loans made to Asians were higher priced loans. [Federal Reserve, “[Higher Priced Lending and the 2005 HMDA Data](#)” (September 2006); Federal Reserve, “[The 2006 HMDA Data](#)” (December 2007)]

¹ All U.S. Census poverty statistics quoted are the poverty rates for families and people for whom poverty status is determined for “all families” and represent the rate for those reporting only one racial or ethnic group.

- **Native Hawaiian or other Pacific Islander borrowers were more likely to receive subprime loans than non-Hispanic white borrowers in 2005 and 2006.** While Asians were less likely to receive higher priced loans for purchase or refinance than non-Hispanic whites, Native Hawaiian or other Pacific Islander borrowers were 50% more likely to receive higher priced loans to purchase homes and 30% more likely to receive higher priced refinancing loans than non-Hispanic whites. [Federal Reserve, "[Higher Priced Lending and the 2005 HMDA Data](#)" (September 2006); Federal Reserve, "[The 2006 HMDA Data](#)" (December 2007)]
- **Borrowers who have subprime loans, including Asian and Pacific Islander borrowers, have come under severe stress during the recent financial crisis and are at high risk of foreclosure.** 48.5% of outstanding subprime loans made to borrowers in 2005 and 57.2% of such loans made to borrowers in 2006 are in foreclosure or no payment has been received for 60 days or more. [McDash Online Core Database data (February 2010); Treasury analysis.]
- **The piles of forms needed for a regular mortgage can be overwhelming,** and many brokers have taken advantage of that confusion to give borrowers loans they didn't need or couldn't afford.

Bank Accounts

- **Some households do not have bank accounts.** In a survey conducted by the Federal Reserve, a significant fraction of households without bank accounts said that they did not have a checking account because they did not like dealing with banks (25%) or because the service charges were too high (12%). [Federal Reserve, "[Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances](#)," (February 2009)]
- **Many households have been automatically enrolled in expensive overdraft programs** that can hit consumers with costly overdraft fees for even the smallest purchases. For example, the FDIC found that the average overdraft charge for a single purchased item—like a \$2 cup of coffee—is \$30 at banks with assets over \$1 billion. [FDIC, "[FDIC Study of Bank Overdraft Programs](#)" (November 2008) at Table IV-3]

The Wall Street Reform and Consumer Protection Act of 2010 is Beneficial for Asian Americans and Pacific Islanders

- **For Asian Americans and Pacific Islanders who send remittances to their families:** The CFPB will be able to provide, for the first time, federal oversight over the larger companies that provide remittance transfer services to consumers, and it will enforce protections, including requirements to provide consumers easy-to-understand, pre-transactional pricing disclosures and receipts.
- **Fair markets for Asian Americans and Pacific Islanders:** One pillar of the CFPB's mission will be to ensure that markets for consumer financial products and services operate transparently and efficiently to facilitate access for all families, including Asian American and Pacific Islander families. The CFPB will enforce fair lending laws that protect Asian Americans and Pacific Islanders from discriminatory lending practices. The CFPB will also be empowered to focus on improving disclosures and cracking down on abusive practices to make it easier for families to identify and avoid high cost, high risk products that don't meet their needs.
- **For Asian Americans and Pacific Islanders who want to buy a home:** The CFPB will take steps to consolidate and simplify with plain language two overlapping and sometimes inconsistent federal mortgage forms. The CFPB will for the first time, provide ongoing federal oversight of both nonbank companies and banks in the mortgage market and protect borrowers from unfair, deceptive or other illegal mortgage lending practices.
- **For Asian American and Pacific Islander families using alternative financial services:** The Wall Street Reform and Consumer Protection Act establishes, for the first time, robust federal supervision and oversight over larger alternative financial service companies such as check cashers and payday lenders. The CFPB will be able to combat abusive practices that harm consumers, helping families avoid hidden fees and keep more money in their wallets.

- **For Asian Americans and Pacific Islanders without bank accounts:** The CFPB will be able to rein in practices that may drive some households away from banks—including by stopping banks from enrolling customers in expensive overdraft programs without their consent.
- **For Asian Americans and Pacific Islanders with credit cards:** The CFPB will prevent evasion of the Credit CARD Act of 2009, which bans arbitrary rate hikes on existing balances and other unfair practices. For Asian Americans and Pacific Islanders who have used credit cards to get by when times are tight, the law will give them clarity on the interest rates they are charged.
- **For Asian Americans and Pacific Islanders caught by unexpected overdraft fees:** The CFPB will enforce and prevent evasion of new rules that give consumers a real choice as to whether to join expensive overdraft programs so that they are not unknowingly charged unnecessary fees.
- **For Asian Americans and Pacific Islanders who must take out private loans to cover the costs of higher education:** The CFPB will be able supervise private student lenders, fight unfair practices, and require lenders to follow fair rules of the road and give students the information they need to make smart choices.
- **Empowering Asian Americans and Pacific Islanders to make smart financial choices by promoting financial education and financial literacy:** The CFPB will promote consumer financial education and financial literacy, with a dedicated office focused on ensuring that the CFPB's expertise and research are used to help raise awareness, and educate and empower consumers to avoid unfair practices and make smart financial choices.
- **Safeguarding Asian Americans and Pacific Islanders' retirement security, savings and investments:** The Wall Street Reform and Consumer Protection Act strengthens investor protection by empowering the Securities and Exchange Commission (SEC) to:
 - Raise the standards for brokers and investment professionals when giving advice so that they have a fiduciary duty and are required to act in the interests of investors, rather than their own; and
 - Require brokers to disclose costs and risk factors to investors prior to selling a product, instead of after it is purchased.

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